

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PA-01 PRS-01 USIA-06 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00

XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01

NSC-05 SS-15 STR-01 CEA-01 INT-05 /081 W

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TO SECSTATE WASHDC PRIORITY 3438

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EO 11652: N/A

TAGS: EMIN, EFIN, PE

SUBJECT: CUAJONE FINANCING COMPLETE - COMMENTS BY SPCC OFFICIAL

REF: LIMA 121

1. DANIEL RODRIGUEZ HOYLE, LOCAL SPCC VICE PRESIDENT, TOLD EMBASSY OFFICER JANUARY 7 THAT PRESS STORIES CARRIED IN LIMA PRESS JANUARY 6, REPORTED REFTEL, WHICH WERE BASED ON IPC RELEASE JANUARY 5,

CONTAINED INACCURATE SUMMATION OF FINANCIAL CONTRIBUTIONS BY VARIOUS BANKS AND SUPPLIERS TO THE PACKAGE. HE EXPLAINED THAT SPCC ALSO PUT OUT

LENGTHY PRESS STATEMENT JANUARY 5 IN NEW YORK BUT LOCAL STORIES CARRIED IFC VERSION SINCE LATTER WAS RELEASED FIRST.

2. FOLLOWING IS CORRECT SUMMATION OF SOURCES OF CUAJONE \$404 MILLION DEBT CAPITAL: \$200 MILLION FROM A CONSORTIUM LED BY CHASE MANHATTAN; \$140 MILLION IN LONG-TERM CREDITS FOR THE PURCHASE OF EQUIPMENT AND MATERIAL; \$54 MILLION ARRANGED BY COPPER PURCHASERS WHO HAVE CONTRACTED FOR A SUBSTANTIAL PORTION OF CUAJONE'S OUTPUT; AND \$10 MILLION (NOT \$15) FROM THE WORLD BANK'S INTERNATIONAL FINANCE CORPORATION. SPCC

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RELEASE ALSO NOTES THAT THE \$140 MILLION IN EQUIPMENT AND

MATERIAL WILL BE FINANCED BY \$75 MILLION LOAN AND GUARANTEE FROM EXIMBANK, WITH EXIMBANK COMMITTING \$55 MILLION OF THESE FUNDS WITH THE OTHER \$20 MILLION, WHICH IS GUARANTEED BY EXIMBANK, BEING PROVIDED BY WELLS FARGO BANKS (\$9.7 MILLION) AND A SYNDICATE LED BY J. HENRY SCHRODER BANKING CORP. (\$10.3 MILLION). WELLS FARGO IS ALSO PROVIDING \$5.6 MILLION UNDER A SEPARATE LOAN.

3. THE SPCC PRESS RELEASE STATES THAT COST OF CUAJONE IS \$620 MILLION, INCLUDING \$70 MILLION IN INTEREST CHARGES DURING CONSTRUCTION. THE BALANCE OF THE FUNDS WILL BE PROVIDED BY EQUITY CAPITAL OF \$216 MILLION, CONSISTING OF \$191 MILLION PUT IN BY SPCC, MOST OF WHICH HAS ALREADY BEEN INVESTED. \$25 MILLION WILL BE PUT IN BY ITS PARTNER, BILLITON N.V. WHOSE AFFILIATE IS ALSO A PURCHASER OF CUAJONE COPPER. BILLITON WILL HAVE EQUITY PARTICIPATION OF 11.4 PERCENT. THROUGH NOVEMBER 30, 1974, \$341 MILLION HAD BEEN EXPENDED ON THE PROJECT, FUNDS COMING PRINCIPALLY FROM SPCC THROUGH REINVESTMENT OF CASH FLOW FROM TOQUEPALA.

4. RODRIGUEZ SAID THAT ALL PAPER WORK ON THE PROJECT HAS BEEN COMPLETED, WITH EXEPTION TWO MINOR DOCUMENTS TO BE SIGNED TODAY, AND THAT HE EXPECTS FIRST DRAWDOWN ON LOANS TO BEGIN SOMETIME NEXT WEEK. IN RESPONSE TO A QUESTION, HE STATED THAT SPCC HAS EXCEEDED REQUIRMENT TO INVEST \$148 MILLION BY THE END OF 1974. HE ALSO NOTED THAT SPCC COMMUNIQUE HAS BEEN PASSED TO MINES MINISTER FERNANDEZ MALDONADO. THE MINISTER, ACCORDING TO RODRIGUEZ, PLANS TO DISCUSS CUAJONE FINANCING PACKAGE IN TODAY'S MEETING OF THE COUNCIL OF MINISTERS, AND RODRIGUEZ BELIEVES THAT GOP WILL PUBLISH AN OFFICIAL STATEMENT PRAISING THE COMPLETION OF THE PROJECT TOMORROW MORNING.

5. RODRIGUEZ TOLD EMBASSY OFFICER THAT RECENT ONE MONTH STRIKE AT TOQUEPALA HAD COST COMPANY PRODUCTION OF 12,000 METRIC TONS OF COPPER, A FACT WHICH WOULD INADVERTENTLY ASSIST PERU IN ACHIEVING REDUCTION OF 10 PERCENT COPPER SALES DECREED BY CIPEC. HE ALSO SAID THAT BILLITON'S PART OWNERSHIP OF CUAJONE PROJECT, WHICH IS IN FACT A JOINT VENTURE ARRANGEMENT WITH SPCC PARTNERS, APPLIES ONLY TO CUAJONE LIMITED OFFICIAL USE

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PROJECT, NOT TO TOQUEPALA.

6. RODRIGUEZ SAID THAT "NEW YORK TIMES" OF JANUARY 6 SHOULD HAVE CARRIED FULL TEXT OF SPCC PRESS RELEASE, ALTHOUGH ONLY MENTION TO DATE OF SPCC'S RELEASE HERE IS SHORT AFP ITEM IN JANUARY 7 EDITION OF "LA CRONICA".

7. COMMENT: RODRIGUEZ SAID HE NOW CONVINCED THAT PROJECT

WILL MOVE AHEAD ON SCHEDULE AND THAT GOP IS VERY PLEASED
THAT PROJECT FINANCING HAS FINALLY BEEN ACHIEVED. HE
F7RTHER EXPECTS GOP TO GIVE PROJECT FULL AND FAVORABLY
PUBLICITY, AND THAT COMPANY WILL ALLOW GOP TO "TOOT ITS
OWN HORN". SPCC DOES NOT PLAN TO ISSUE PRESS RELEASE HERE
BUT WILL ISSUE SHORT STATEMENT THANKING GOP FOR ITS
COOPERATION AFTER GOP RELEASES ITS OWN STATEMENT.
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